

January 30, 2007

Marlene Dortch
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: CC Docket No. 01-92, Missoula Plan Amendment to Incorporate a Federal Benchmark Mechanism

The Missoula Plan Supporters and several state utility commissions met over the past several months to consider two aspects of the Missoula Plan (or Plan). First, we considered the effects of the Plan on “early adopter” states, *i.e.*, those states that have already taken action to substantially reduce intrastate access charges. Second, we considered the effects of the Plan on universal service in states with high rates and rural populations.

We are happy to inform the Federal Communications Commission (Commission) today that these discussions resulted in a proposal the group believes will address the complex myriad of early adopter issues, thereby promoting equity between those states and carriers that have already substantially reduced intrastate access charges and those that have not. Accordingly, the details of the attached proposal are intended to be incorporated as an amendment to the Missoula Plan.

The proposal we have crafted, referred to as the Federal Benchmark Mechanism (or Mechanism), relies upon national residential “rate benchmarks” to establish comparability among states. Our proposal targets new federal support to states that have the highest end-user rates, many of which are the result of early state initiatives to reduce switched access charges. Moreover, the Federal Benchmark Mechanism provides supplemental funding to ensure that all areas with early adopter initiatives receive support. Finally, the Mechanism reduces the burden on early adopter states by shifting more revenue recovery from the Missoula Plan’s Restructure Mechanism to end-user rates in states that have retained low end-user rates.

We have quantified the impacts of this proposal based on the best available information. In addition, we have already discussed the Federal Benchmark Mechanism proposal with state commissioners and staff members and those commissions that approved this proposal are signatories to this letter.

We believe this amendment is a significant step in the direction of a more fair and balanced approach to addressing a critical problem the original Missoula Plan failed to address. In this regard, the following parties, which either participated directly in forming a solution or helped quantify this proposal, now come together to support this important enhancement to the Missoula Plan. Attached please find a description of and the rationale for the Federal Benchmark Mechanism, together with a spreadsheet that shows an estimate of the proposal’s financial effects (Attachment).

Respectfully Submitted, January 30, 2007.

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Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)	
)	
)	
Developing a Unified Intercarrier)	CC Docket No. 01-92
Compensation Regime.)	
)	

Supporting Comparability Through a Federal Benchmark Mechanism

The Missoula Plan proposes a federal Early Adopter Fund of at least \$200M and commits the resources of its supporters to work with state commissioners to determine how the mechanism should work and estimate the revenues that it will require. To that end, interested state commissioners and their staffs have worked with representatives of the Missoula Plan Supporters for several months to develop the following proposed *Federal Benchmark Mechanism*.

A. Summary

The Federal Benchmark Mechanism (Mechanism) will create four methods of addressing various issues that “early adopter” states, i.e., states that have substantially lowered intrastate access rates, would otherwise face under the Missoula Plan:

First, the Mechanism addresses states with very high end user rates that are at or above a High Benchmark Target rate. Such states presumably have allowed carriers to raise end user rates to recover costs that previously were recovered through intrastate access charges. In these states, carriers would be permitted to raise the interstate residential subscriber line charges (SLCs) under the Plan only to the extent that doing so would not cause residential per line revenues to exceed a defined level referred to as the High Benchmark Target. The Mechanism creates Category A Funding, which would replace some or all of the SLC increase that would otherwise be permitted under the Missoula Plan.

Second, the Mechanism creates Category B Funding, targeted at those states with the very highest rates. In these states the residential per line revenues are already higher than the High Benchmark Target, before any SLC cap increase under the Plan. States with such high rates will be eligible to recover from the Federal Benchmark Mechanism 75%

of the difference between residential per-line revenue (before any Plan SLC increase) and the Benchmark. This funding must be used by the states first to reduce consumer contributions to any existing intrastate universal service fund, with any remaining amounts being used to reduce the interstate residential SLCs.

Third, the Mechanism endorses Category C Funding. This funding is designed to target Federal Benchmark Mechanism support to early adopter states that may not have raised local rates, but instead have adopted explicit universal service support as a means of reducing access charges. The funding is thus limited to states with eligible explicit universal service funds. The total amount of support a state receives between Category B and Category C Funding is limited to the lesser of \$10 million or the size of the state's universal service support funding, and Category C Funding must be used to reduce contributions to that state fund.

Finally, the Federal Benchmark Mechanism includes a "Low Rate Adjustment," which is intended to reduce the burden on the Restructure Mechanism by reducing reliance on that funding in states that have not had significant "early adopter" activity, and where residential per-line revenue is thus below a "Low Benchmark Target." Without the Low Rate Adjustment, these states would likely qualify for substantial Restructure Mechanism dollars under the Missoula Plan because of their higher access rates. The Adjustment would replace some of those Restructure Mechanism dollars with an increased SLC cap.

B. Background

Historically, state commissions and legislatures have used a variety of regulatory mechanisms to help ensure that affordable telephone service was available to consumers in rural and high cost areas within their states. For example, many state commissions created unique rate structures or adjusted end user prices for certain services. Moreover, state commissions often required higher intrastate access charges and created explicit state funds. Over the last 20+ years since access charges were first created, most states have acted to lower intrastate access charges, and many have done so substantially.

Several of the early adopter states have raised issues about the Restructure Mechanism (RM) established by the Missoula Plan to help replace forgone intrastate access revenues through contributions made by end users in all states. These early adopter states have suggested that the RM could impose a disproportionate burden on their customers: because the early adopter states have either eliminated or sharply reduced intrastate access charges, their carriers may be entitled to fewer or even no RM dollars. Furthermore, customers in early adopter states already bear the extra burden of funding an explicit state universal service fund or higher local rates caused by their state's reduction of access charges. At the same time, customers in these states will be required to help pay for the recovery of intrastate access revenue reductions in states that were not early adopters.

The extent to which an early adopter state will be unfairly burdened by the RM will vary markedly depending on how that state historically addressed access charge reductions. For example, some states that reduced intrastate access rates made up for the lost revenues by increasing local rates. Others established explicit state universal service

funds. At least two states did both. Still other states reduced access rates only while they reduced general carrier revenue requirement, and carriers in those states were neither permitted to increase local rates nor to receive state universal service funds to make up for the revenue reductions.

The working group followed three guiding principles in developing a proposed solution that recognizes the disparate starting points among states.

1. Create a fair and balanced approach among states.
2. Manage the political feasibility of establishing a new federal mechanism that provides for access recovery at a national level.
3. Address concerns of all the early adopter states, not just a handful.

These principles led to the development of the proposal. It is called the Federal Benchmark Mechanism (FBM) because it relies upon a national residential rate benchmark to establish comparability among states. Fully operationalizing the FBM has required company-by-company, study area-by-study area calculations. The working group has modeled the proposal using the best available data, and our results are attached. Recovery of FBM dollars will be provided for in the same manner as the RM.

The Missoula Plan supporters and the states in the working group are filing the proposed modifications to the Missoula Plan to include the FBM as an essential component of the Plan

C. Definition of Terms

1. ***State USF per Line:*** means state universal service funds collected from end users (rather than from carriers) divided by total switched access lines.
2. ***Residential Revenues per Line:*** means the sum of the basic residential local rate (1FR or equivalent) plus mandatory EAS rate plus current interstate SLC plus current intrastate SLC and SLC-like surcharges (e.g. NIC, NAF) plus State USF per Line for a given study area.¹
3. ***High Benchmark Target:*** \$25.00
4. ***Low Benchmark Target:*** \$20.00
5. ***Residential SLC Increase:*** means the smaller of the revenue shift per line or the “maximum allowable SLC increase” as described in the Missoula Plan for a given study area.
6. ***Access Parity:*** means current intrastate access rates are within 10% of current interstate access rates in aggregate across elements.

¹ Residential Revenues per Line would be measured once.

7. ***Restructure Mechanism (RM)***: means the “Restructure Mechanism” described in the Missoula Plan.

D. Federal Benchmark Mechanism²

The FBM is comprised of the following components: (1) Category A Funding; (2) Category B Funding; (3) Category C Funding; and the (4) Low Rate Adjustment.³ The individual FBM components were designed to support the comparability of rates through the application of several federal benchmarks.

1. Category A Funding⁴

If the Residential Revenues per Line is greater than the High Benchmark Target, then there would be no Residential SLC Increase. Likewise, if the Residential SLC increase otherwise authorized by the Missoula Plan would produce Residential Revenues per Line exceeding the High Benchmark Target, that interstate residential SLC increase would be reduced as necessary to preclude that result. Category A Funding would replace any foregone interstate residential SLC increases.

- a) Example No. 1: Assume that the Residential Revenues per Line is \$27.00 and the Residential SLC Increase is \$2.75 (replacing lost access revenue per line). The High Benchmark Target is \$25.00. Since the current Residential Revenues per Line of \$27.00 are greater than the \$25.00 High Benchmark Target, there would be no interstate residential SLC increase and Category A Funding will replace the full \$2.75.
- b) Example No. 2: Assume another company has a Residential Revenues per Line of \$24.00 and the Residential SLC Increase is still \$2.75. Adding \$2.75 to \$24.00 produces \$26.75, which is above the \$25.00 High Benchmark Target. Therefore the actual interstate residential SLC increase would be \$1.00, and Category A Funding would replace the \$1.75.

2. Category B Funding⁵

If Residential Revenues per Line are greater than the High Benchmark Target before adding the Residential SLC Increase, then Category B Funding will be available.⁶ The amount of Category B Funding will be calculated by taking 75%

² The Federal Benchmark Mechanism applies to residential service rates, not business service rates.

³ The FBM is not intended to limit in any way the pricing flexibility rules described in Section II.C.7 of the Missoula Plan. The operational details to implement the FBM will require additional discussion.

⁴ Category A Funding will require FBM dollars.

⁵ Category B Funding will require FBM dollars.

⁶ Category A Funding will replace the Residential SLC Increase as described above.

of the difference between Residential Revenues per Line and the High Benchmark Target.

a) Category B Funding will be used as follows.

- (1) When a state has established an explicit intrastate USF fund to help maintain affordable universal service in rural and high cost areas⁷, the level of end user contributions to the state USF fund will be reduced, not to exceed the total amount of state funding. State commissions are required to certify to the FCC that Category B Funding was used for this purpose.
- (2) If a state does not have an explicit intrastate USF fund as described in the preceding subsection or if the amount of Category B Funding exceeds the total amount of eligible intrastate USF funding, Category B Funding will be used to reduce the current interstate residential SLC by an amount not to exceed the current rate.⁸

b) Example No. 1: Assume that the current Residential Revenues per Line are \$27.00. The High Benchmark Target is \$25.00. Category B Funding is 75% of the \$2.00 difference which is \$1.50 ($\$27.00 - \$25.00 = \2 times $.75 = \$1.50$). The state commission must use Category B Funding to reduce or eliminate contributions to any eligible intrastate USF, and must use any remaining Category B Funding to reduce current interstate residential SLCs for those companies and only those companies that generated Category B Funding.

3. Category C Funding⁹

The working group endorses the principle that as some level of FBM funding should be provided to as many early adopter states as possible, regardless of the particular early adopter scenario in each state. However, where states have not raised rates substantially to replace intrastate access charges, FBM funding, as described above, does not provide relief. Category C Funding is designed to provide an additional level of FBM relief for early adopter states that might otherwise receive little or no FBM funding.

Category C Funding equates existing intrastate high cost universal service funds with action on the part of early adopter states to reduce intrastate access charges. In the context of the larger FBM proposal, the working group believes this formulation is a reasonably method to identify early adopter states.

⁷ Other types of state funds, e.g., schools and libraries, health care, 911, will not be eligible for reductions to end user contributions to these funds.

⁸ When Category B Funding is used to reduce the interstate residential SLC, the amount of federal Lifeline funding will be reduced by a corresponding amount.

⁹ Category C Funding will require FBM dollars.

A state with eligible intrastate USF funding as described in the Category B Funding subsection above is entitled to Category C Funding as follows: the total amount of funding a state receives from Category B Funding and Category C Funding cannot exceed the lesser of \$10M or the state's eligible intrastate USF funding. Category C Funding must be used to reduce contributions to that state's eligible intrastate USF funding.¹⁰

- a) Example No. 1: Assume a state has eligible intrastate USF funding of \$15M per year. Also assume the state receives no Category B Funding. Here, the state would receive Category C Funding of \$10M per year. The state must use the money to reduce contributions to the state fund.
- b) Example No. 2: Assume the same facts, but the state receives \$4M of Category B Funding. Here, the state would receive only \$6M of Category C Funding because the total of Category B Funding and Category C Funding cannot exceed \$10M per year.
- c) Example No. 3: Assume the state has eligible intrastate USF funding of \$5M and receives \$6M of Category B Funding. Here, the state would not receive any Category C Funding because the total of Category B Funding and Category C Funding cannot exceed the amount of eligible intrastate USF funding.

4. Low Rate Adjustment¹¹

If the sum of Residential Revenues per Line plus Residential SLC Increase is below the Low Benchmark Target and the company draws RM dollars, then an additional amount, not to exceed \$2.00, will be added to the Residential SLC Increase¹² and the carrier's draw from the RM will be reduced by the same amount.¹³ The SLC increase will not exceed the RM dollars a carrier receives. If the carrier is not drawing any RM dollars from the plan, then the Low Rate Adjustment will not occur. Where a state has taken significant action to implement Access Parity by reducing intrastate switched access charges to interstate levels, the Low Rate Adjustment will not apply.

- a) Example No. 1: Assume a Track 1 carrier's Residential SLC Increase is \$3.50 per line and its Residential Revenues per Line are \$10.00, for a total of

¹⁰ It would not matter whether the state fund is financed through bulk billing charges on IXC's or direct charges from consumers.

¹¹ The Low Rate Adjustment will reduce the total requirement for RM dollars.

¹² Interstate residential SLC caps will be adjusted to accommodate the Low Rate Adjustment component of the FBM. Additional federal Lifeline funding will be required to offset interstate residential SLC increases.

¹³ The additional amount added to the Residential SLC Increase does not require a company to increase the interstate SLC rates it charges to its residential customers. However, a company must impute the maximum amount required by the Low Rate Adjustment when calculating its RM.

\$13.50. Also assume the Track 1 carrier receives more than \$2.00 dollars per line of RM dollars. Since the \$13.50 is below the \$20.00 Low Benchmark Target by more than \$2.00, the Residential SLC would increase by \$5.50 (\$3.50+\$2.00). In this case, the final Residential Revenues per Line would be \$15.50, not \$13.50.¹⁴

- b) Example No. 2: Assume a Track 1 carrier's Residential SLC Increase is \$3.50 per line and its Residential Revenues per Line are \$15.50, for a total of \$19.00. Also assume the Track 1 carrier receives more than \$2.00 per line of RM dollars. Since the \$19.00 is below the \$20.00 Low Benchmark Target by \$1.00, the Residential SLC would increase by \$4.50 (\$3.50+\$1.00). In this case, the final Residential Revenues per Line would be \$20.00, not \$19.00.

E. Financial Overview

To assist with the evaluation of its proposal, the working group estimates that approximately \$806M will be required to incorporate the FBM proposal into the Missoula Plan. This represents the sum of \$579M for Category A Funding, \$141M for Category B Funding and \$111M for Category C Funding, less a \$25M reduction to the RM attributable to the Low Rate Adjustment. The FBM proposal provides net positive support for 39 states.¹⁵

¹⁴ Under the same assumptions and with a Residential SLC Increase of \$2.25, the interstate residential SLCs for a Track 2 or 3 carrier would rise to \$4.25 (\$2.25+\$2.00).

¹⁵ The Low Rate Adjustment reduces RM to 6 states.

Effects of Missoula Plan Restructure Mechanism and Federal Benchmark Mechanism

Columns Explained Below

January 30, 2007 Version

State	Restructure Mechanism	Federal Benchmark Mechanism					NET RM and FBM
		Category A	Category B	Category C	Low Rate Adjustment	Net FBM	
AK*	\$ 25,031,352	\$ 94,468	\$ 95,516	\$ 2,004,484	\$ -	\$ 2,194,468	\$ 27,225,820
AL*	\$ 15,908,166	\$ 19,272	\$ -	\$ -	\$ (1,644,817)	\$ (1,625,545)	\$ 14,282,621
AR	\$ 31,745,321	\$ 9,081,736	\$ -	\$ 10,000,000	\$ -	\$ 19,081,736	\$ 50,827,057
AZ	\$ 58,242,774	\$ 298,421	\$ -	\$ 1,000,000	\$ (413,203)	\$ 885,218	\$ 59,127,992
CA*	\$ 59,947,377	\$ 87,105,459	\$ 12,844,734	\$ -	\$ -	\$ 99,950,194	\$ 159,897,571
CO*	\$ 7,392,312	\$ 30,701,339	\$ 453,645	\$ 9,546,355	\$ -	\$ 40,701,339	\$ 48,083,652
CT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FL*	\$ 80,208,482	\$ -	\$ -	\$ -	\$ (2,257,116)	\$ (2,257,116)	\$ 77,951,367
GA*	\$ 46,355,461	\$ 11,062,288	\$ -	\$ 2,900,000	\$ -	\$ 13,962,288	\$ 60,317,748
HI*	\$ 11,162	\$ 8,129,803	\$ -	\$ -	\$ -	\$ 8,129,803	\$ 8,140,964
IA*	\$ 52,826,395	\$ 5,169,736	\$ 574,881	\$ -	\$ (2,052,066)	\$ 3,692,551	\$ 56,518,946
ID	\$ 15,045,771	\$ 10,888,258	\$ 835,808	\$ -	\$ -	\$ 12,888,258	\$ 27,934,029
IL	\$ 7,147,442	\$ 4,472,661	\$ 1,724,601	\$ 8,275,399	\$ -	\$ 14,472,661	\$ 21,620,104
IN*	\$ 7,023,050	\$ 348,450	\$ 471,802	\$ 9,528,198	\$ (18,119)	\$ 10,330,331	\$ 17,353,381
KS*	\$ 15,542,307	\$ 14,887,735	\$ 2,395,520	\$ 7,604,480	\$ -	\$ 24,887,735	\$ 40,430,042
KY*	\$ 30,522,589	\$ 5,387,087	\$ -	\$ -	\$ -	\$ 5,387,087	\$ 35,909,676
LA*	\$ 1,402,056	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,402,056
MA*	\$ 220,878	\$ 29,806,844	\$ 16,966,696	\$ -	\$ -	\$ 46,773,540	\$ 46,994,418
MD	\$ 1,140,459	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,140,459
ME*	\$ 1,323,401	\$ 10,186,321	\$ 5,211,072	\$ 2,788,928	\$ -	\$ 18,186,321	\$ 19,509,722
MI	\$ 11,545,478	\$ 8,899,916	\$ 15,837,840	\$ -	\$ -	\$ 24,737,756	\$ 36,283,234
MN	\$ 56,297,508	\$ 2,266,105	\$ -	\$ -	\$ -	\$ 2,266,105	\$ 58,563,614
MO*	\$ 97,794,419	\$ -	\$ -	\$ -	\$ (3,254,196)	\$ (3,254,196)	\$ 94,540,223
MS*	\$ 25,024,045	\$ 2,065,606	\$ 135,492	\$ -	\$ (183,523)	\$ 2,017,575	\$ 27,041,619
MT*	\$ 25,348,630	\$ 9,512,869	\$ 2,450,541	\$ -	\$ -	\$ 11,963,410	\$ 37,312,040
NC*	\$ 78,923,240	\$ 5,094,837	\$ -	\$ -	\$ (2,121,851)	\$ 2,972,986	\$ 81,896,227
ND*	\$ 17,498,594	\$ 4,551,618	\$ 379,961	\$ -	\$ (17,248)	\$ 4,914,331	\$ 22,412,925
NE*	\$ 10,569,107	\$ 15,449,411	\$ 23,998,758	\$ -	\$ -	\$ 39,448,169	\$ 50,017,276
NH	\$ 2,409,634	\$ -	\$ -	\$ -	\$ (300,609)	\$ (300,609)	\$ 2,109,025
NJ	\$ 12,655,475	\$ -	\$ -	\$ -	\$ (3,678,352)	\$ (3,678,352)	\$ 8,977,123

State	Restructure Mechanism	Federal Benchmark Mechanism					NET RM and FBM
		Category A	Category B	Category C	Low Rate Adjustment	Net FBM	
NM	\$ 11,226,779	\$ 7,590,018	\$ 631,764	\$ 9,368,236	\$ -	\$ 17,590,018	\$ 28,816,797
NV	\$ 11,131,915	\$ -	\$ -	\$ 400,000	\$ (153,543)	\$ 246,457	\$ 11,378,373
NY*	\$ 36,345,439	\$ 168,882,657	\$ 3,210,835	\$ -	\$ (2,187,533)	\$ 169,905,959	\$ 206,251,398
OH*	\$ 39,153,219	\$ 619,596	\$ 1,789,944	\$ -	\$ (11,030)	\$ 2,398,510	\$ 41,551,729
OK*	\$ 20,915,386	\$ 974,265	\$ -	\$ 10,000,000	\$ -	\$ 10,974,265	\$ 31,889,651
OR*	\$ 6,220,545	\$ 32,303,156	\$ 9,230,676	\$ 769,324	\$ -	\$ 42,303,156	\$ 48,523,700
PA*	\$ 35,299,398	\$ 9,303,506	\$ 51,361	\$ 9,948,639	\$ -	\$ 19,303,506	\$ 54,602,904
PR	\$ 0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0
RI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SC*	\$ 10,037,226	\$ 6,323,988	\$ 162,986	\$ 9,837,014	\$ -	\$ 16,323,988	\$ 26,361,214
SD*	\$ 38,074,534	\$ 2,249,170	\$ -	\$ -	\$ (29,251)	\$ 2,219,919	\$ 40,294,453
TN*	\$ 40,569,247	\$ 98,701	\$ -	\$ -	\$ (5,231,692)	\$ (5,132,991)	\$ 35,436,256
TX	\$ 35,781,275	\$ 3,172,515	\$ 676,753	\$ 9,323,247	\$ -	\$ 13,172,515	\$ 48,953,790
UT	\$ 11,785,754	\$ 7,518	\$ -	\$ 6,400,000	\$ -	\$ 6,407,518	\$ 18,193,273
VA	\$ 35,011,502	\$ 3,385,195	\$ -	\$ -	\$ (896,035)	\$ 2,489,160	\$ 37,500,662
VT*	\$ 3,064,688	\$ 8,413,393	\$ 9,156,928	\$ -	\$ (9,422)	\$ 17,560,899	\$ 20,625,587
WA	\$ 47,755,333	\$ 21,496,922	\$ 4,046,864	\$ -	\$ -	\$ 25,543,785	\$ 73,299,118
WI*	\$ 48,551,815	\$ 9,729,349	\$ 6,209,937	\$ -	\$ (945,445)	\$ 14,993,842	\$ 63,545,657
WV	\$ 15,579,468	\$ 23,262,383	\$ 9,949,609	\$ -	\$ -	\$ 33,211,992	\$ 48,791,460
WY*	\$ 8,420,002	\$ 5,465,957	\$ 11,857,505	\$ -	\$ -	\$ 17,323,463	\$ 25,743,465
Total	\$ 1,250,016,410	\$ 578,758,531	\$ 141,352,030	\$ 110,858,495	\$ (25,405,050)	\$ 805,564,005	\$ 2,055,580,416

* As of 1-22-2007 these 31 states have provided some state level data through RM and EAM input sheet.

COLUMN EXPLANATION:

Dollar Impacts

Restructure Mechanism - This is estimated funding to be paid to carriers to replace access and other intercarrier losses under the Missoula Plan

Category A - This funding to high rate areas is paid to carriers to avoid SLC increases.

Category B - This funding to very high rate areas is paid to states and carriers to reduce state USF contributions or existing SLCs.

Category C - This funding is to states and carriers to reduce state USF contributions in early adopter areas not fully benefiting from Categories A or B.

Low Rate Adjustment - This is the reduction in RM funding in areas with low rates

Net FBM - Sum of all FBM columns

Net RM and FBM - Sum of Restructure Mechanism and Federal Benchmark Mechanism

Other Notes:

Results excludes CLEC dollars

Results do not include data from American Samoa, Guam, Northern Mariana Islands, and Virgin Islands

Model Results by State with Estimates of Net Benefit to Residential Customers

State Code	Total Residential Lines	Dollar Impacts (\$ 000)				Impact per Line per Month (\$)**			
		RM	Federal Benchmark Mechanism	Lifeline	HCLF	Total Impact	Total Impact on Residential Customers	Incremental Assessment (All Customers)	Net Benefit to Residential Customers
AK*	279,435	\$ 25,031	\$ 2,194	\$ 678	\$ 6,744	\$ 34,648	\$ 10,33	\$ -	\$ 10,33
AL*	1,486,246	\$ 15,908	\$ (1,626)	\$ 538	\$ 6,234	\$ 21,054	\$ 1.18	\$ 0.38	\$ 0.80
AR	925,035	\$ 31,745	\$ 19,082	\$ 1,122	\$ 13,302	\$ 65,251	\$ 5.88	\$ 0.38	\$ 5.50
AZ	4,688,184	\$ 58,243	\$ 885	\$ 2,052	\$ 6,225	\$ 67,505	\$ 1.20	\$ 0.38	\$ 0.82
CA*	8,883,861	\$ 59,947	\$ 99,950	\$ 72,023	\$ 7,424	\$ 239,345	\$ 2.25	\$ 0.38	\$ 1.87
CO*	1,703,207	\$ 7,382	\$ 40,701	\$ 1,057	\$ 4,373	\$ 53,523	\$ 2.62	\$ 0.38	\$ 2.24
CT	1,395,254	\$ -	\$ -	\$ 1,335	\$ -	\$ 1,335	\$ 0.08	\$ 0.38	\$ (0.30)
DC	219,561	\$ -	\$ -	\$ 210	\$ -	\$ 210	\$ 0.08	\$ 0.38	\$ (0.30)
DE	453,424	\$ -	\$ -	\$ 64	\$ -	\$ 64	\$ 0.01	\$ 0.38	\$ (0.37)
FL*	6,665,680	\$ 80,208	\$ (2,257)	\$ 5,217	\$ 3,085	\$ 86,254	\$ 1.08	\$ 0.38	\$ 0.70
GA*	2,712,592	\$ 46,355	\$ 13,962	\$ 1,474	\$ 16,259	\$ 78,051	\$ 2.40	\$ 0.38	\$ 2.02
HI*	462,256	\$ 11	\$ 8,130	\$ 277	\$ 49	\$ 8,467	\$ 1.53	\$ 0.38	\$ 1.15
IA*	1,080,161	\$ 52,826	\$ 3,693	\$ 2,052	\$ 5,986	\$ 64,557	\$ 4.98	\$ 0.38	\$ 4.60
ID	588,271	\$ 15,046	\$ 12,888	\$ 1,205	\$ 5,682	\$ 34,811	\$ 4.93	\$ 0.38	\$ 4.55
IL	3,806,454	\$ 7,147	\$ 14,473	\$ 1,979	\$ 4,580	\$ 28,179	\$ 0.62	\$ 0.38	\$ 0.24
IN*	2,171,597	\$ 7,023	\$ 10,330	\$ 1,051	\$ 4,376	\$ 22,780	\$ 0.87	\$ 0.38	\$ 0.49
KS*	774,457	\$ 15,542	\$ 24,888	\$ 744	\$ 7,505	\$ 48,680	\$ 5.24	\$ 0.38	\$ 4.86
KY*	1,303,361	\$ 30,523	\$ 5,387	\$ 1,518	\$ 7,295	\$ 44,723	\$ 2.86	\$ 0.38	\$ 2.48
LA*	1,367,693	\$ 1,402	\$ -	\$ 463	\$ 5,864	\$ 7,729	\$ 0.47	\$ 0.38	\$ 0.09
MA*	2,043,045	\$ 221	\$ 46,774	\$ 1,846	\$ 12	\$ 48,853	\$ 1.99	\$ 0.38	\$ 1.61
MD	1,947,868	\$ 1,140	\$ -	\$ 141	\$ 205	\$ 1,487	\$ 0.06	\$ 0.38	\$ (0.32)
ME*	574,207	\$ 1,323	\$ 18,186	\$ 1,611	\$ 3,233	\$ 24,354	\$ 3.53	\$ 0.38	\$ 3.15
MI	2,798,341	\$ 11,545	\$ 24,738	\$ 2,188	\$ 5,803	\$ 44,274	\$ 1.32	\$ 0.38	\$ 0.94
MN	1,768,103	\$ 56,298	\$ 2,266	\$ 1,779	\$ 9,064	\$ 69,407	\$ 3.27	\$ 0.38	\$ 2.89
MO*	2,061,325	\$ 97,794	\$ (3,254)	\$ 2,401	\$ 7,596	\$ 104,537	\$ 4.23	\$ 0.38	\$ 3.85
MS*	791,972	\$ 25,024	\$ 2,018	\$ 546	\$ 3,004	\$ 30,592	\$ 3.22	\$ 0.38	\$ 2.84
MT*	468,483	\$ 25,349	\$ 11,963	\$ 599	\$ 5,174	\$ 43,015	\$ 7.65	\$ 0.38	\$ 7.27
NC*	3,019,363	\$ 78,923	\$ 2,973	\$ 3,377	\$ 4,507	\$ 89,780	\$ 2.48	\$ 0.38	\$ 2.10
ND*	208,111	\$ 17,499	\$ 4,914	\$ 671	\$ 3,948	\$ 27,032	\$ 10.82	\$ 0.38	\$ 10.44
NE*	408,622	\$ 10,569	\$ 39,448	\$ 825	\$ 3,824	\$ 54,666	\$ 11.15	\$ 0.38	\$ 10.77
NH	583,921	\$ 2,410	\$ (301)	\$ 267	\$ 497	\$ 2,873	\$ 0.41	\$ 0.38	\$ 0.03
NJ	3,051,755	\$ 12,655	\$ (3,678)	\$ 5,130	\$ -	\$ 14,107	\$ 0.39	\$ 0.38	\$ 0.01
NM	681,643	\$ 11,227	\$ 17,590	\$ 2,139	\$ 1,711	\$ 32,667	\$ 3.99	\$ 0.38	\$ 3.61
NV	1,278,568	\$ 11,132	\$ 246	\$ 939	\$ 1,235	\$ 13,552	\$ 0.88	\$ 0.38	\$ 0.50
NY*	5,324,595	\$ 36,345	\$ 169,906	\$ 16,941	\$ 11,576	\$ 234,768	\$ 3.67	\$ 0.38	\$ 3.29
OH*	3,693,400	\$ 39,153	\$ 2,399	\$ 6,663	\$ 2,504	\$ 50,719	\$ 1.14	\$ 0.38	\$ 0.76
OK*	1,128,398	\$ 20,915	\$ 10,974	\$ 3,365	\$ 7,479	\$ 42,734	\$ 3.16	\$ 0.38	\$ 2.78
OR*	1,348,395	\$ 6,221	\$ 42,303	\$ 1,751	\$ 4,929	\$ 55,203	\$ 3.41	\$ 0.38	\$ 3.03
PA*	4,513,782	\$ 35,299	\$ 19,304	\$ 2,690	\$ 1,250	\$ 58,543	\$ 1.08	\$ 0.38	\$ 0.70
PR	908,636	\$ -	\$ -	\$ 3,933	\$ -	\$ 3,933	\$ 0.36	\$ 0.38	\$ (0.02)
RI	286,876	\$ -	\$ -	\$ 764	\$ -	\$ 764	\$ 0.22	\$ 0.38	\$ (0.16)
SC*	1,404,544	\$ 10,037	\$ 16,324	\$ 423	\$ 7,556	\$ 34,340	\$ 2.04	\$ 0.38	\$ 1.66
SD*	233,555	\$ 38,075	\$ 2,220	\$ 851	\$ 4,112	\$ 45,258	\$ 16.15	\$ 0.38	\$ 15.77
TN*	2,668,750	\$ 40,569	\$ (5,133)	\$ 1,072	\$ 8,960	\$ 45,468	\$ 1.42	\$ 0.38	\$ 1.04
TX	6,652,004	\$ 35,781	\$ 13,173	\$ 24,458	\$ 23,905	\$ 97,317	\$ 1.22	\$ 0.38	\$ 0.84
UT	663,567	\$ 11,786	\$ 6,408	\$ 827	\$ 1,739	\$ 20,760	\$ 2.61	\$ 0.38	\$ 2.23

Model Results by State with Estimates of Net Benefit to Residential Customers

State Code	Total Residential Lines	Dollar Impacts (\$ 000)				Impact per Line per Month (\$)**			
		RM	Federal Benchmark Mechanism	Lifeline	HCLF	Total Impact	Total Impact on Residential Customers	Incremental Assessment (All Customers)	Net Benefit to Residential Customers
VA	2,361,100	\$ 35,012	\$ 2,489	\$ 742	\$ 4,849	\$ 43,092	\$ 1.52	\$ 0.38	\$ 1.14
VT*	426,082	\$ 3,065	\$ 17,561	\$ 793	\$ 1,726	\$ 23,084	\$ 4.51	\$ 0.38	\$ 4.13
WA	2,338,364	\$ 47,755	\$ 25,544	\$ 5,059	\$ 7,821	\$ 86,178	\$ 3.07	\$ 0.38	\$ 2.69
WI*	1,772,366	\$ 48,552	\$ 14,994	\$ 1,480	\$ 11,003	\$ 76,029	\$ 3.57	\$ 0.38	\$ 3.19
WV	664,462	\$ 45,579	\$ 33,212	\$ 218	\$ 4,935	\$ 53,944	\$ 6.77	\$ 0.38	\$ 6.39
WY*	142,605	\$ 8,420	\$ 17,323	\$ 269	\$ 1,602	\$ 27,615	\$ 16.13	\$ 0.38	\$ 15.75
Total	99,183,629	\$ 1,459,016	\$ 805,564	\$ 191,790	\$ 260,840	\$ 2,508,120	\$ 2.11	\$ 0.38	\$ 1.73

* States shown with asterisks have submitted full or partial input data as of 1-22-2007.

** These results do not include incremental SLIC or Toll reductions.

COLUMN EXPLANATION:

Dollar Impacts

RM - Restructure Mechanism" funds are paid to carriers to replace access and other intercarrier losses under the Missoula Plan
Federal Benchmark Mechanism - Paid to carriers and states under the Federal Benchmark Mechanism Amendments to the Missoula Plan
Lifeline - The incremental cost to the Lifeline program from changes proposed in the Missoula Plan
HCLF - The incremental change to the High Cost Loop Support program from changes proposed in the Missoula Plan
Total Impact - This is the sum of the preceding program totals

Impact Per Line per Month

Total Impact on Residential Customers - Total impact divided by residential lines (assumes all benefits flow to residential lines)
Incremental Assessment - estimate based on calculation on following tab. Includes all Missoula Plan and FBM impacts, and CLEC money.
Net Benefit to Residential Customers - Net of preceding two columns

Except for the development of the incremental assessment, impacts are ILEC only.
 Results do not include data from American Samoa, Guam, Northern Mariana Islands, and Virgin Islands.

Projected Per Unit USF Assessment Charge Per Month
Funding Derived From Working Telephone Numbers and Special Access Connections
Includes CLEC Payments - No Assessment on Broadband Connections or Lifeline

Projected Program Cost	
Existing USF	\$6,967,409,333
Missoula and Early Adopter Mechanism RM*	\$1,375,892,611
FBM	\$805,564,005
Lifeline+HCLF+Other FUSF Modifications Lifeline	\$191,699,709
HCLF & Other FUSF Modifications *	\$370,893,077
Assessable Units	\$562,592,786
ILEC Numbers	299,264,000
CLEC Numbers	62,433,000
Toll-free Numbers	22,159,440
Broadband Subscribers	0
Wireless Numbers	211,995,000
Paging Numbers	8,251,000
Special Access Connections	16,695,120
Lifeline Subscribers	7,119,506
Assessable Units (less Lifeline)	613,678,054

Per Unit Assessment Per Month	
Existing USF	\$0.95
Missoula and Early Adopter Mechanism	\$0.30
Lifeline+HCLF+Other FUSF Modifications	\$0.08
Total	\$1.33
Incremental Assessment	\$0.38

* Includes CLEC/CETC payments

Existing State Rural plus Non-Rural High Cost Funds

State	State Rural plus Non-Rural High Cost Funding Used**
AK*	\$ 2,100,000
AL*	\$ -
AR	\$ 10,500,000
AZ	\$ 1,000,000
CA*	\$ 567,800,000
CO*	\$ 60,900,000
CT	\$ -
DC	\$ -
DE	\$ -
FL*	\$ -
GA*	\$ 2,900,000
HI*	\$ -
IA*	\$ -
ID	\$ 2,000,000
IL	\$ 10,500,000
IN*	\$ 10,500,000
KS*	\$ 45,000,000
KY*	\$ -
LA*	\$ -
MA*	\$ -
MD	\$ -
ME*	\$ 8,000,000
MI	\$ -
MN	\$ -
MO*	\$ -
MS*	\$ -
MT*	\$ -
NC*	\$ -
ND*	\$ -
NE*	\$ 74,000,000
NH	\$ -
NJ	\$ -
NM	\$ 18,000,000
NV	\$ 400,000
NY*	\$ -
OH*	\$ -
OK*	\$ 37,000,000
OR*	\$ 52,550,000
PA*	\$ 33,400,000
PR	\$ -
RI	\$ -
SC*	\$ 82,000,000
SD*	\$ -
TN*	\$ -
TX	\$ 543,000,000
UT	\$ 6,400,000
VA	\$ -
VT*	\$ -
WA	\$ -
WI*	\$ 290,000
WV	\$ -
WY*	\$ 2,750,000
Total	\$ 1,570,990,000

* As of 1-22-2007 these 31 states have provided some state level data through RM and EAM input sheet.

** This information in conjunction with FBM-Category B dollars were used in estimating FBM-Category C fundings amount that totaled to \$114 million (as of January 29, 2007)